

MCLAUGHLIN SCHOOL DISTRICT NO. 15-2
AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

MCLAUGHLIN SCHOOL DISTRICT NO. 15-2
SCHOOL DISTRICT OFFICIALS

JUNE 30, 2021

Board Members:

Ira Taken Alive - President
Joe White Mountain, Jr - Vice President
Paul Guggolz, Jr
Julia McCauley
Elsie Heid

Superintendent:

Dr. George Shipley, Jr.

Business Manager:

Kendra Sandquist

MCLAUGHLIN SCHOOL DISTRICT NO. 15-2

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MCLAUGHLIN SCHOOL DISTRICT NO. 15-2

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CERTIFIED PUBLIC ACCOUNTANTS

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WITH OFFICES IN

MILLER, SOUTH DAKOTA

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the School Board
McLaughlin School District No. 15-2
McLaughlin, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the McLaughlin School District No. 15-2 (School District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 11, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the School District's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of current audit findings and questioned costs as items 2021-001 through 2021-003, that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

School District's Response to Findings

The School District's responses to the findings identified in our audit are described in the accompanying unaudited corrective action plan. The School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.

Kohlman Bierbach and Anderson LLP

March 11, 2022

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

School Board

McLaughlin School District No. 15-2

McLaughlin, South Dakota

Report on Compliance for Each Major Federal Program

We have audited the McLaughlin School District No. 15-2, South Dakota (School District)'s compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on the School District's major federal programs for the year ended June 30, 2021. The School District's major federal programs are identified in the summary of the independent auditors' results section of the accompanying schedule of current audit findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of the School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School District's internal control over compliance with the types of requirements that could have a direct and material effect each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with

the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. As required by South Dakota Codified Law 4-11-11, this report and our report on compliance for each major federal program are matters of public record and their distribution is not limited.

Kohlman Bierbach and Anderson LLP

March 11, 2022



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SCHEDULE OF PRIOR AUDIT FINDINGS

2020-001

Initial Fiscal Year Finding Occurred: 2006

Finding Summary: A material weakness was reported for a lack of segregation of duties for cash, investments, revenues, receivables, grants, inventories, payables, expenditures, capital assets, budget, debt, and equity, which could result in errors not being found in a timely manner.

Status: Ongoing. This finding has not been corrected and is restated as finding 2021-001. The reason for recurrence is, due to cost considerations, the School District has determined it is not practical to employ additional staff to adequately segregate duties. The School District will implement compensating controls where practical.

2020-002

Initial Fiscal Year Finding Occurred: 2006

Finding Summary: The School District does not have an internal control system designed to provide for the preparation of the annual financial statements in accordance with generally accepted accounting principles (GAAP).

Status: Ongoing. This finding has not been corrected and is restated as finding 2021-002. The reason for recurrence is, due to cost considerations, the School District accepts the risks associated with the auditors preparing the financial statements. The School District will implement compensating controls where practical.

2020-003

Initial Fiscal Year Finding Occurred: 2007

Finding Summary: The School District does not have an internal control structure to provide for the recording of all necessary material adjustments.

Status: Ongoing. This finding has not been corrected and is restated as finding 2021-003. The reason for recurrence is, due to cost considerations, the School District has determined it is not practical to employ additional staff to implement an internal control structure adequate to identify all material adjustments. The School District will implement compensating controls where practical.



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2020-004

Initial Fiscal Year Finding Occurred: 2019

Finding Summary: The School District's expenditures exceeded the appropriations authorized for the Capital Outlay Fund and Food Service Fund by material amounts. The School District is not in compliance with SDCL 13-11-2.

Status: This finding has been corrected.



Business Manager

Superintendent

MCLAUGHLIN SCHOOL DISTRICT NO. 15-2
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2021

SUMMARY OF THE INDEPENDENT AUDITORS' RESULTS:

Financial Statements

- a. An unmodified opinion was issued on the financial statements of each opinion unit.
- b. Material weaknesses were disclosed by our audit of the financial statements. They are described in findings 2021-001 through 2021-003.
- c. Our audit did not disclose any instance of noncompliance which was material to the financial statements.

Federal Awards

- d. An unmodified opinion was issued on compliance with the requirements applicable to the major programs.
- e. Our audit did not disclose any audit findings that are required to be reported in accordance with 2 CFR 200.516(a).
- f. The federal awards tested as major programs were:
 - a. Impact Aid CFDA # 84.041
 - b. Coronavirus Relief Fund CFDA # 21.019
 - c. Title I Grants to Local Educational Agencies CFDA # 84.010
- g. The dollar threshold used to distinguish between Type A and Type B federal award programs was \$750,000.
- h. McLaughlin School District No. 15-2 did not qualify as a low-risk entity.

CURRENT FEDERAL AUDIT FINDINGS:

There are no written current federal compliance audit findings to report.

CURRENT OTHER AUDIT FINDINGS:

Internal Control-Related Findings - Material Weaknesses:

2021-001

Criteria

Internal control can help the School District achieve its performance targets and prevent loss of resources. It can help ensure reliable financial reporting and it can help ensure that the School District complies with laws and regulations.

Condition Found

A material weakness was reported for a lack of segregation of duties for cash, investments, revenues, receivables, grants, inventories, payables, expenditures, payroll, capital assets, debt, and equity, which could result in errors not being found in a timely manner.

Cause

Internal controls are not adequately designed to prevent or detect material misstatements due to either fraud or error.

Effect

The School District has a limited number of employees who prepare all records for cash, investments, revenues, receivables, grants, inventories, payables, expenditures, payroll, capital assets, debt, and equity. This is undesirable from an internal control viewpoint, and could result in a loss of control over accounting transactions and errors not being found in a timely manner.

Recommendation

We recommend the School Board take a more active role in their oversight of cash, investments, revenues, grants, receivables, inventories, payables, expenditures, payroll, capital assets, debt, and equity.

MCLAUGHLIN SCHOOL DISTRICT NO. 15-2
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2021
(Continued)

Identification as a Repeat Finding

Yes, the finding is a restatement of 2020-001.

Views of responsible officials and corrective actions

See the School District's corrective action plan on page 10.

2021-002

Criteria

An organization's internal control structure should provide for the preparation of financial statements in accordance with generally accepted accounting principles (GAAP).

Condition Found

The School District does not have an internal control system designed to provide for the preparation of the annual financial statements being audited, including required footnotes and disclosures, in accordance with generally accepted accounting principles. As auditors, we were requested to draft the financial statements.

Cause

Internal controls are not adequately designed to prepare the financial statements.

Effect

This condition may affect the School District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Recommendation

This circumstance is not unusual in an organization of your size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Identification as a Repeat Finding

Yes, the finding is a restatement of 2020-002.

Views of responsible officials and corrective actions

See the School District's corrective action plan on page 10.

2021-003

Criteria

An organization's internal control structure should provide for the recording of all necessary material adjustments in order to ensure that accounting records are in accordance with generally accepted accounting principles.

MCLAUGHLIN SCHOOL DISTRICT NO. 15-2
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2021
(Continued)

Condition Found

During the course of our engagement, we proposed material audit adjustments that would not have been identified as a result of the School District's existing internal controls, and therefore could have resulted in a material misstatement of the School District's financial statements.

Cause

Internal controls are not adequately designed to record all material adjustments.

Effect

This condition may affect the School District's ability to record, process, summarize, and report financial statement data consistent with the assertions of management in the financial statements.

Recommendation

This circumstance is not unusual in an organization of your size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Identification as a Repeat Finding

Yes, the finding is a restatement of 2020-003.

Views of responsible officials and corrective actions

See the School District's corrective action plan on page 10.

Closing Conference

The contents of this report were discussed with Kendra Sandquist, Business Manager and Dr. George Shipley, Jr., Superintendent, on January 14, 2022.



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CORRECTIVE ACTION PLAN (UNAUDITED)

McLaughlin School District No. 15-2 submits the following corrective action plan for the year ended June 30, 2021:

2021-001

Finding Summary: A material weakness was reported for a lack of segregation of duties for cash, investments, revenues, receivables, grants, inventories, payables, expenditures, capital assets, budget, debt, and equity, which could result in errors not being found in a timely manner.

Responsible Individual: Superintendent & Business Manager

Corrective Action Plan: Though the School District has a limited ability to foster a complete segregation of duties due to cost considerations, policies for internal controls and procurement have been adopted to provide mitigation where practical.

Anticipated Completion Date: Ongoing.

2021-002

Finding Summary: The School District does not have an internal control system designed to provide for the preparation of the annual financial statements being audited, including required footnotes and disclosures, in accordance with generally accepted accounting principles. As auditors, we were requested to draft the financial statements.

Responsible Individual: Superintendent, Business Manager, & Board President

Corrective Action Plan: Though the School District has a limited ability to foster a complete segregation of duties due to cost considerations, policies for internal controls and procurement have been adopted to provide mitigation where practical.

Anticipated Completion Date: Ongoing.

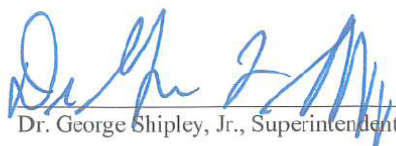
2021-003

Finding Summary: During the course of our engagement, we proposed material audit adjustments that would not have been identified as a result of the School District's existing internal controls, and therefore could have resulted in a material misstatement of the School District's financial statements.

Responsible Individual: Superintendent, Business Manager, & Board President

Corrective Action Plan: Though the School District has a limited ability to foster a complete segregation of duties due to cost considerations, policies for internal controls and procurement have been adopted to provide mitigation where practical.

Anticipated Completion Date: Ongoing.


Dr. George Shipley, Jr., Superintendent


Kendra Sandquist, Business Manager


Joe White Mountain Jr.,
Incoming Board President

KOHLMAN, BIRSCHBACH & ANDERSON, LLP
CERTIFIED PUBLIC ACCOUNTANTS

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WITH OFFICES IN
MILLER, SOUTH DAKOTA

INDEPENDENT AUDITORS' REPORT

School Board
McLaughlin School District No. 15-2
McLaughlin, South Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the McLaughlin School District No. 15-2 (School District), as of June 30, 2021, and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the School District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District as of June 30, 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, in 2021, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 84, Fiduciary Activities, which has resulted in a restatement of the net position as of July 1, 2020. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules and Pension Schedules on pages 40 through 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The School District has omitted the Management's Discussion and Analysis (MD&A) that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 11, 2022, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the School District's internal control over financial reporting and compliance.

Kohlman Bierschbach and Anderson LLP

March 11, 2022

MCLAUGHLIN SCHOOL DISTRICT NO. 15-2
STATEMENT OF NET POSITION
JUNE 30, 2021

	Governmental Activities
ASSETS:	
Cash and cash equivalents	\$ 7,458,618
Investments	33,613
Taxes receivable	718,827
Inventories	9,876
Other assets	1,103,525
Restricted cash and cash equivalents	10,370
Net pension asset	9,681
Capital Assets:	
Land, improvements and construction in progress	48,505
Other capital assets, net of depreciation	7,414,553
TOTAL ASSETS	<u>16,807,568</u>
DEFERRED OUTFLOWS OF RESOURCES:	
Pension related deferred outflows	<u>1,572,836</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>1,572,836</u>
LIABILITIES:	
Accounts payable	124,277
Other current liabilities	511,661
Noncurrent Liabilities:	
Due within one year:	
Compensated absences	55,487
Early retirement	25,779
Horizon financial	39,328
Energy loan	61,322
Bond payable	205,000
Due in more than one year:	
Compensated absences	83,230
Early retirement	82,921
Horizon financial	84,613
Energy loan	122,645
Bond payable	2,202,152
TOTAL LIABILITIES	<u>3,598,415</u>
DEFERRED INFLOWS OF RESOURCES:	
Taxes levied for future period	765,301
Pension related deferred inflows	<u>1,334,504</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>2,099,805</u>
NET POSITION:	
Net investment in capital assets	4,747,998
Restricted for:	
SDRS pension purposes	248,013
Capital outlay purposes	197,530
Johnson O'Malley purposes	10,370
Food service purposes	30,052
Unrestricted	7,448,221
TOTAL NET POSITION	<u><u>\$ 12,682,184</u></u>

The notes to the financial statements are an integral part of this statement.

MCLAUGHLIN SCHOOL DISTRICT NO. 15-2
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental Activities:					
Instruction	\$ 5,211,276	\$ -	\$ 2,799,722	\$ -	\$ (2,411,554)
Support services	5,213,660	110,861	268,982	-	(4,833,817)
Nonprogrammed charges	3,250	-	-	-	(3,250)
*Interest on long-term debt	171,947	-	-	-	(171,947)
Cocurricular activities	252,928	-	-	-	(252,928)
Total Governmental Activities	<u>\$ 10,853,061</u>	<u>\$ 110,861</u>	<u>\$ 3,068,704</u>	<u>\$ -</u>	<u>(7,673,496)</u>

* The District does not have interest expense related to the functions presented above. This amount includes indirect interest expense on general long-term debt.

General Revenues:

Taxes:

 Property taxes 1,296,888

 Utility taxes 69,273

Revenue from State Sources:

 State aid 2,434,058

 Other 65,171

Revenue from Federal Sources 4,376,315

Unrestricted Investment Earnings 16,108

Other General Revenues 27,535

Total General Revenues 8,285,348

Change in Net Position 611,852

Net Position - Beginning 12,008,195

Restatement - implementation of GASB No. 84
(see note 2 page 27) 11,921

Prior period adjustment (see note 16 page 33) 50,216

Adjusted Net Position - Beginning 12,070,332

Net Position - Ending \$ 12,682,184

The notes to the financial statements are an integral part of this statement.

MCLAUGHLIN SCHOOL DISTRICT NO. 15-2

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2021**

	General Fund	Capital Outlay Fund	Special Education Fund	Other Governmental Fund	Total Governmental Funds
ASSETS:					
Cash and cash equivalents	\$ 7,323,141	\$ 50,262	\$ 85,215	\$ -	\$ 7,458,618
Investments	33,613	-	-	-	33,613
Taxes receivable - current	231,847	288,292	182,781	-	702,920
Taxes receivable - delinquent	6,378	5,297	4,232	-	15,907
Restitution receivable, net	86,660	-	-	-	86,660
Due from other funds	39,537	-	-	-	39,537
Due from federal government	661,231	227,785	39,068	24,124	952,208
Inventories-stores for resale	5,184	-	-	3,996	9,180
Inventory of donated food	-	-	-	696	696
Prepaid expenses	64,657	-	-	-	64,657
Restricted cash and cash equivalents	10,370	-	-	-	10,370
TOTAL ASSETS	\$ 8,462,618	\$ 571,636	\$ 311,296	\$ 28,816	\$ 9,374,366
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:					
LIABILITIES:					
Accounts payable	\$ 40,150	\$ 57,456	\$ 26,484	\$ 187	\$ 124,277
Contracts payable	392,239	-	64,427	666	457,332
Due to other funds	-	-	34,446	5,091	39,537
Payroll deductions and withholdings and employer matching payable	49,166	-	5,158	5	54,329
TOTAL LIABILITIES	481,555	57,456	130,515	5,949	675,475
DEFERRED INFLOWS OF RESOURCES:					
Unavailable revenue - property taxes	6,378	5,297	4,232	-	15,907
Taxes levied for future period	247,892	316,650	200,759	-	765,301
TOTAL DEFERRED INFLOWS OF RESOURCES	254,270	321,947	204,991	-	781,208
FUND BALANCES:					
Nonspendable:					
Restitution receivable, net	86,660	-	-	-	86,660
Prepaid expenses	64,657	-	-	-	64,657
Inventory	5,184	-	-	4,692	9,876
Restricted for:					
Johnson O'Malley purposes	10,370	-	-	-	10,370
Capital outlay purposes	-	192,233	-	-	192,233
Food service purposes	-	-	-	18,175	18,175
Assigned for:					
American Indian Education	3,670	-	-	-	3,670
Wend II grant	30,000	-	-	-	30,000
Mac Shack	6,737	-	-	-	6,737
Unassigned	7,519,515	-	(24,210)	-	7,495,305
TOTAL FUND BALANCES	7,726,793	192,233	(24,210)	22,867	7,917,683
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 8,462,618	\$ 571,636	\$ 311,296	\$ 28,816	\$ 9,374,366

The notes to the financial statements are an integral part of this statement.

MCLAUGHLIN SCHOOL DISTRICT NO. 15-2
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2021

Total Fund Balances - Governmental Funds		\$ 7,917,683
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Amounts reported for governmental activities in the statement of net position are different because:

Net pension asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds.		9,681
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Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.		7,463,058
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Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds.		1,572,836
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.

Bonds	\$ 2,407,152	
Early retirement	108,700	
Compensated absences	138,717	
Horizon financial	123,941	
Energy loan	<u>183,967</u>	(2,962,477)

Assets, such as taxes receivable that are not available to pay for the current period expenditures, are deferred in the funds.

Taxes receivable	<u>\$ 15,907</u>	15,907
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Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds.		<u>(1,334,504)</u>
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Net Position - Governmental Activities		<u><u>\$ 12,682,184</u></u>
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MCLAUGHLIN SCHOOL DISTRICT NO. 15-2
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2021

	General Fund	Capital Outlay Fund	Special Education Fund	Other Governmental Fund	Total Governmental Funds
REVENUES:					
Revenue from Local Sources:					
Taxes:					
Ad valorem taxes	\$ 403,264	\$ 507,455	\$ 360,071	\$ -	\$ 1,270,790
Prior years' ad valorem taxes	8,800	6,791	5,450	-	21,041
Utility taxes	69,273	-	-	-	69,273
Penalties and interest on taxes	3,578	3,335	2,731	-	9,644
Earnings on investments and deposits	15,298	810	-	-	16,108
Food service	-	-	-	11,875	11,875
Other revenue from local sources:					
Contributions and donations	30,000	20,000	-	-	50,000
Refund of prior years' expenditures	391	-	380	-	771
Charges for services	64,048	-	5,354	-	69,402
Other	25,582	4,002	-	-	29,584
Revenue from Intermediate Sources:					
County sources:					
County apportionment	25,429	-	-	-	25,429
Revenue from State Sources:					
Grants-in-aid:					
Unrestricted grants-in-aid	2,498,111	-	-	1,118	2,499,229
Restricted grants-in-aid	13,474	-	664,830	9,261	687,565
Revenue from Federal Sources:					
Grants-in-aid:					
Unrestricted grants-in-aid received directly from federal government	3,596,632	-	85,184	-	3,681,816
Unrestricted grants-in-aid received from federal government through the state	196,000	447,323	24,000	-	667,323
Restricted grants-in-aid received directly from federal government	99,715	-	-	-	99,715
Restricted grants-in-aid received from federal government through the state	1,603,443	227,785	181,214	-	2,012,442
Johnson O'Malley funds	27,176	-	-	-	27,176
Federal cash reimbursements	-	-	-	207,374	207,374
Federal donated food	-	-	-	11,608	11,608
TOTAL REVENUES	<u>8,680,214</u>	<u>1,217,501</u>	<u>1,329,214</u>	<u>241,236</u>	<u>11,468,165</u>

	General Fund	Capital Outlay Fund	Special Education Fund	Other Governmental Fund	Total Governmental Funds
EXPENDITURES:					
Instruction:					
Regular programs:					
Elementary	1,108,053	115,146	-	-	1,223,199
Middle/Junior high	389,816	53,142	-	-	442,958
High school	719,671	261,410	-	-	981,081
Preschool services	197,548	-	-	-	197,548
Other regular programs	121,173	-	-	-	121,173
Special programs:					
Programs for special education	-	-	943,630	-	943,630
Culturally different	92,691	-	-	-	92,691
Educationally deprived	788,209	-	-	-	788,209
Support Services:					
Students:					
Attendance and social work	249,061	-	-	-	249,061
Guidance	154,566	-	-	-	154,566
Health	83,920	-	-	-	83,920
Psychological	-	-	38,929	-	38,929
Speech pathology	-	-	115,631	-	115,631
Student therapy services	-	-	63,696	-	63,696
Instructional staff:					
Improvement of instruction	204,577	-	1,025	-	205,602
Educational media	352,458	314,123	-	-	666,581
General administration:					
Board of education	482,706	5,590	-	-	488,296
Executive administration	199,558	-	-	-	199,558
School administration:					
Office of the principal	419,609	-	-	-	419,609
Other	4,387	-	-	-	4,387
Business:					
Fiscal services	182,863	-	-	-	182,863
Operation and maintenance of plant	977,964	122,238	-	-	1,100,202
Student transportation	240,876	-	-	-	240,876
Food services	11,671	6,755	-	364,104	382,530
Central:					
Staff	1,031	-	-	-	1,031
Special education:					
Administrative costs	-	5,285	116,476	-	121,761
Transportation costs	-	-	7,558	-	7,558
Other special education costs	-	-	79,641	-	79,641
Nonprogrammed Charges:					
Payments to state - unemployment	3,250	-	-	-	3,250
Early retirement payments	34,836	-	-	-	34,836
Debt Services	-	3,104,246	-	-	3,104,246

(Continued on next page)

MCLAUGHLIN SCHOOL DISTRICT NO. 15-2
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2021
(CONTINUED)

	General Fund	Capital Outlay Fund	Special Education Fund	Other Governmental Fund	Total Governmental Funds
Cocurricular Activities:					
Male activities	33,842	11,734	-	-	45,576
Female activities	31,259	-	-	-	31,259
Transportation	5,076	-	-	-	5,076
Combined activities	153,267	330	-	-	153,597
Capital Outlay	22,880	193,669	-	-	216,549
TOTAL EXPENDITURES	7,266,818	4,193,668	1,366,586	364,104	13,191,176
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	1,413,396	(2,976,167)	(37,372)	(122,868)	(1,723,011)
OTHER FINANCING SOURCES (USES):					
Transfers in	-	550,000	100,000	140,000	790,000
Transfers out	(790,000)	-	-	-	(790,000)
General long-term debt issued	-	2,407,152	-	-	2,407,152
Sale of surplus property	-	2,510	-	-	2,510
Compensation for loss of general capital assets	1,336	-	-	-	1,336
TOTAL OTHER FINANCING SOURCES (USES)	(788,664)	2,959,662	100,000	140,000	2,410,998
NET CHANGE IN FUND BALANCES	624,732	(16,505)	62,628	17,132	687,987
FUND BALANCE - BEGINNING	7,090,140	208,738	(86,838)	5,735	7,217,775
RESTATEMENT - IMPLEMENTATION OF GASB NO. 84 (SEE NOTE 2 PAGE 27)	11,921	-	-	-	11,921
BEGINNING FUND BALANCE - AS RESTATED	7,102,061	208,738	(86,838)	5,735	7,229,696
FUND BALANCE - ENDING	\$7,726,793	\$ 192,233	\$ (24,210)	\$ 22,867	\$ 7,917,683

The notes to the financial statements are an integral part of this statement.

MCLAUGHLIN SCHOOL DISTRICT NO. 15-2
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021

Net Change in Fund Balances - Total Governmental Funds \$ 687,987

Amounts reported for governmental activities in the statement of activities are different because:

This amount represents capital asset purchases which are reported as expenditures on the fund financial statements but increase assets on the government-wide statements. 216,549

This amount represents the current year depreciation expense reported in the statement of activities which is not reported on the fund financial statements because it does not require the use of current financial resources. (421,989)

In the statement of activities, losses \$940 on disposal of capital assets are reported, whereas, in the governmental funds, the proceeds \$1,600 from the disposal of capital assets is reflected, regardless of whether a gain or loss is realized. (2,540)

Payment of principal on long-term debt is an expenditure in the governmental funds but the payment reduces long-term liabilities in the statement of net position.

Bond payable	\$ 2,880,000	
Energy loan	61,322	
Bond discount	(46,000)	
Horizon financial	36,977	2,932,299

Th issuance of long-term debt is an other financing source in the fund statements but an increase in long-term liabilities on the government-wide statements.

Bond payable	2,407,152	(2,407,152)
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In both the government-wide and fund financial statements, revenues from property tax levies are applied to finance the budget of a particular period. Accounting for revenues from property tax accruals in the funds' statements differs from the accounting in the government-wide statements in that the fund financial statements require the amounts to be "available". This amount reflects the application of both the application period and "availability criteria". (4,587)

Governmental funds recognize expenditures for amounts of compensated absences and early retirement benefits actually paid to employees with current financial resources during the fiscal year. Amounts of compensated absences earned by employees are not recognized in the funds. In the statement of activities, expenses for these benefits are recognized when the employees earn leave credits or elect to retire early.

Compensated absences	\$ 7,184	
Early retirement	34,836	42,020

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (e.g., accrued interest expense, pension expense) (447,081)

Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) are not reflected in the governmental funds. 16,346

Change in Net Position of Governmental Activities	\$ 611,852
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The notes to the financial statements are an integral part of this statement.

MCLAUGHLIN SCHOOL DISTRICT NO. 15-2
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2021

	Private-Purpose Trust Fund	Custodial Funds
ASSETS:		
Cash and cash equivalents	\$ -	\$ 17,157
Investments, at fair value	<u>8,551</u>	<u>-</u>
TOTAL ASSETS	<u><u>\$ 8,551</u></u>	<u><u>\$ 17,157</u></u>
NET POSITION:		
Restricted for :		
Organizations	\$ -	\$ 17,157
Scholarships	<u>8,551</u>	<u>-</u>
TOTAL NET POSITION	<u><u>\$ 8,551</u></u>	<u><u>\$ 17,157</u></u>

The notes to the financial statements are an integral part of this statement.

MCLAUGHLIN SCHOOL DISTRICT NO. 15-2
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2021

	Private-Purpose Trust Fund	Custodial Funds
ADDITIONS:		
Earnings from deposits and investments	\$ 44	\$ -
Other additions	-	14,200
TOTAL ADDITIONS	44	14,200
DEDUCTIONS:		
Other deductions		20,266
TOTAL DEDUCTIONS	-	20,266
CHANGE IN NET POSITION	44	(6,066)
NET POSITION - BEGINNING	8,507	-
RESTATEMENT - IMPLEMENTATION OF GASB NO. 84 (SEE NOTE 2 PAGE 27)	-	23,223
ADJUSTED NET POSITION - BEGINNING	8,507	23,223
NET POSITION - ENDING	\$ 8,551	\$ 17,157

The notes to the financial statements are an integral part of this statement.

MCLAUGHLIN SCHOOL DISTRICT NO. 15-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the School District conform to generally accepted accounting principles applicable to government entities in the United States of America.

a. **Financial Reporting Entity:**

The reporting entity of McLaughlin School District No. 15-2 (School District), consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

The School District participates in one cooperative service unit with several other school districts. See detailed note entitled "Joint Ventures" for specific disclosures. Joint ventures do not meet the criteria for inclusion in the financial reporting entity as a component unit, but are discussed in these notes because of the nature of their relationship with the School District.

b. **Basis of Presentation:**

Government-Wide Financial Statements:

The Statement of Net Position and Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity, except for fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues.

The Statement of Net Position reports all financial and capital resources, in a net position form (assets minus liabilities equal net position). Net position is displayed in three components, as applicable, net investment in capital assets, restricted (distinguishing between major categories of restrictions), and unrestricted.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the School District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental and fiduciary. An emphasis is placed on major funds within the governmental category. A fund is considered major if it is the primary operating fund of the School District or it meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund are at least 10 percent of the corresponding total for all funds of that category or type, or
2. Management has elected to classify one or more governmental funds as major for consistency in reporting from year to year, or because of public interest in the fund's operations.

MCLAUGHLIN SCHOOL DISTRICT NO. 15-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - (Continued)

The funds of the School District financial reporting entity are described below within their respective fund types:

Governmental Funds:

General Fund - A fund established by South Dakota Codified Law (SDCL) 13-16-3 to meet all the general operational costs of the School District, excluding Capital Outlay Fund and Special Education Fund expenditures. The General Fund is always a major fund.

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Capital Outlay Fund - A fund established by SDCL 13-16-6 to meet expenditures which result in the lease of, acquisition of or additions to real property, plant or equipment, textbooks and instructional software. This fund is financed by property taxes. This is a major fund.

Special Education Fund - A fund established by SDCL 13-37-16 to pay the costs for the special education of all children in need of special assistance and prolonged assistance who reside within the School District. This fund is financed by grants and property taxes. This is a major fund.

Food Service - A fund used to record financial transactions related to food service operations. This fund is financed by user charges and grants. This is not a major fund and is the only fund included in the Other Governmental Funds column in the financial statements.

Fiduciary Funds:

Fiduciary funds consist of the following sub-categories and are never considered to be major funds:

Custodial Funds - Custodial funds are used to report fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private-purpose trust funds. The School District maintains custodial funds to hold assets as an agent in trust capacity for various classes, clubs, and so on.

Private-Purpose Trust Funds - Private-purpose trust funds are used to account for all other trust arrangements under which principal and income benefit individuals, private organizations, or other governments. The School District maintains one private-purpose trust fund for the purpose of providing scholarships.

c. **Measurement Focus and Basis of Accounting:**

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus.

Measurement Focus:

Government-Wide Financial Statements:

In the government-wide Statement of Net Position and Statement of Activities, governmental activities are presented using the economic resources measurement focus, applied on the accrual basis of accounting.

Fund Financial Statements:

In the fund financial statements, the "current financial resources" measurement focus and the modified accrual basis of accounting are applied to governmental funds, while the "economic resources" measurement focus and the accrual basis of accounting are applied to the fiduciary fund types.

MCLAUGHLIN SCHOOL DISTRICT NO. 15-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - (Continued)

Basis of Accounting:

Government-Wide Financial Statements:

In the government-wide Statement of Net Position and Statement of Activities, governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues and related assets generally are recorded when earned (usually when the right to receive cash vests); and, expenses and related liabilities are recorded when an obligation is incurred (usually when the obligation to pay cash in the future vests).

Fund Financial Statements:

All governmental fund types are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period for the School District is 60 days. The revenues which are accrued at June 30, 2021, are reimbursements for federal program expenditures and miscellaneous receivables.

Under the modified accrual basis of accounting, receivables may be measurable but not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Unavailable revenues, where asset recognition criteria have been met but for which revenue recognition criteria have not been met, are reported as a deferred inflow of resources.

Expenditures generally are recognized when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which are recognized when due.

All fiduciary fund types are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

d. Interfund Eliminations and Reclassifications:

Government-Wide Financial Statements:

In the process of aggregating data for the government-wide financial statements, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified, as follows:

1. In order to minimize the grossing-up effect on assets and liabilities within the governmental activities column of the primary government, amounts reported as interfund receivables and payables have been eliminated in the governmental activities column.

e. Deposits and Investments:

For the purpose of financial reporting, "cash and cash equivalents" includes all demand and savings accounts and certificates of deposit or short-term investments with a term to maturity at date of acquisition of three months or less. Investments in open-end mutual fund shares, or similar investments in external investment pools, are also considered to be cash equivalents.

Investments classified in the financial statements consist entirely of certificates of deposit whose term to maturity at date of acquisition exceeds three months, and/or those types of investment authorized by South Dakota Codified Law (SDCL) 4-5-6.

f. Capital Assets:

Capital assets include land, buildings, machinery and equipment, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period.

MCLAUGHLIN SCHOOL DISTRICT NO. 15-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - (Continued)

The accounting treatment over capital assets depends on whether the assets are reported in the government-wide or fund financial statements.

Government-Wide Financial Statements:

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. Reported cost values include ancillary charges necessary to place the asset into its intended location and condition for use. Subsequent to initial capitalization, improvements or betterments that are significant and which extend the useful life of a capital asset are also capitalized.

For governmental activities Capital Assets, construction-period interest is not capitalized, in accordance with USGAAP.

The total June 30, 2021 balance of capital assets for governmental activities includes approximately 95% for which costs were determined by estimates of the original costs. These estimated original costs were established by appraisal.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the government-wide Statement of Activities, with net capital assets reflected in the Statement of Net Position. Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land	All	N/A	N/A
Improvements	\$ 5,000	Straight-line	15 - 25 years
Buildings	\$ 5,000	Straight-line	75 - 100 years
Machinery and Equipment	\$ 5,000	Straight-line	5 - 20 years
Library Books	All	Straight-line	5 years

Land is an inexhaustible capital asset and is not depreciated.

Fund Financial Statements:

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital expenditures of the appropriate governmental fund upon acquisition.

g. Long-Term Liabilities:

The accounting treatment of long-term liabilities depends on whether they are reported in the government-wide or fund financial statements.

All long-term liabilities to be repaid from governmental resources are reported as liabilities in the government-wide statements. The long-term liabilities primarily consist of compensated absences, early retirement payable, bond payable, energy note payable, and a lease for a motor coach bus from Horizon Financial.

In the fund financial statements, debt proceeds are reported as revenues (other financing sources), while payments of principal and interest are reported as expenditures when they become due.

h. Program Revenues:

In the government-wide Statement of Activities, reported program revenues derive directly from the program itself or from parties other than the School District's taxpayers or citizenry, as a whole.

MCLAUGHLIN SCHOOL DISTRICT NO. 15-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - (Continued)

Program revenues are classified into three categories, as follows:

1. Charges for services - These arise from charges to customers, applicants, or others who purchase, use, or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services.
2. Program-specific operating grants and contributions - These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program.
3. Program-specific capital grants and contributions - These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for the acquisition of capital assets for use in a particular program.

i. **Equity Classifications:**

Government-Wide Financial Statements:

Equity is classified as net position and is displayed in three components:

1. Net investment in capital assets - Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted net position - Consists of net position with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted net position - All other net position that does not meet the definition of "restricted" or "net investment in capital assets".

Fund Financial Statements:

Governmental fund equity is classified as fund balance, and is distinguished between Nonspendable, Restricted, Committed, Assigned or Unassigned components. Fiduciary fund equity is reported as restricted net position.

j. **Application of Net Position:**

It is the School District's policy to first use restricted net position, prior to the use of unrestricted net position, when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

k. **Fund Balance Classification Policies and Procedures:**

In accordance with Governmental Accounting Standards Board (GASB) No. 54, **Fund Balance Reporting and Governmental Fund Type Definitions**, the School District classifies governmental fund balances as follows:

Nonspendable - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

Restricted - includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Committed - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.

MCLAUGHLIN SCHOOL DISTRICT NO. 15-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - (Continued)

Assigned - includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the School Board.

Unassigned - includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The Nonspendable Fund Balance is comprised of inventory, prepaids, and amounts not in cash form such as long-term restitution receivable.

The School Board has not committed any portion of the School District's fund balance.

The School District uses restricted/committed amounts first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the Government would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The Government does not have a formal minimum fund balance policy.

The purpose of each major special revenue fund and revenue source is listed below:

<u>Major Special Revenue Fund</u>	<u>Revenue Source</u>
Special Education Fund	Grants and Property Taxes
Capital Outlay Fund	Grants and Property Taxes

1. Pensions:

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense (revenue), information about the fiduciary net position of the South Dakota Retirement System (SDRS) and additions to/deletions from SDRS's fiduciary net position have been determined on the same basis as they are reported by SDRS. School District contributions and net pension liability (asset) are recognized on an accrual basis of accounting.

NOTE 2 - IMPLEMENTATION OF NEW ACCOUNTING STANDARD

In 2021, the School District implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 84, Fiduciary Activities accounting standard. This statement improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The implementation of this standard required that the School District present a Statement of Changes in Fiduciary Net Position for Custodial Funds for 2021. The implementation of this standard required the School District to reclassify previously reported agency funds as custodial funds.

NOTE 3 - DEPOSITS AND INVESTMENTS CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK

The School District follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below:

Deposits - The School District's deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 13-16-15, 13-16-15.1 and 13-16-18.1. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by federal home loan banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

MCLAUGHLIN SCHOOL DISTRICT NO. 15-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 3 - (Continued)

Investments - In general, SDCL 4-5-6 permits school district funds to be invested only in (a) securities of the United States and securities guaranteed by the United States Government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a) above; or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) above and repurchase agreements described in (b) above. Also, SDCL 4-5-9 requires investments to be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

As of June 30, 2021, the School District did not have any investments. The investments reported in the financial statement consists of only certificates of deposits.

Credit Risk - State law limits eligible investments for the School District, as discussed above. The School District has no investment policy that would further limit its investment choices.

Interest Rate Risk - The School District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Assignment of Investment Income - State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The School District's policy is to credit all income from investments to the fund making the investment.

NOTE 4 - RESTRICTED CASH AND INVESTMENTS

Assets in the amount of \$10,370 are restricted to use for Johnson O'Malley through segregation of balances in separate accounts.

NOTE 5 - RECEIVABLES AND PAYABLES

Receivables and payables are not aggregated in these financial statements. The School District expects all receivables, except restitution receivables described in Note 6, to be collected within one year.

NOTE 6 - RESTITUTION RECEIVABLE

There were two different restitution receivables for the year ended June 30, 2021. The restitution receivable is stated at its outstanding principal balance adjusted for the allowance for losses.

The first receivable is due in monthly installments of \$300 and does not bear interest. The allowance is reported based on management's estimate of the receivable that will not be collected. The allowance for losses of \$149,771 netted with the restitution receivable of \$230,600 results in a net receivable balance of \$80,829 at June 30, 2021.

The second receivable is due in monthly installments of \$200 and does not bear interest. Management expects the receivable to be collected in full, so no allowance has been set up. The restitution receivable net amount was \$5,831 at June 30, 2021.

NOTE 7 - INVENTORY

Inventory held for consumption is stated at cost. Inventory held for resale is stated at the lower of cost or market. The cost valuation method is first-in, first-out (FIFO). Donated commodities are valued at estimated market value based on the USDA price list at date of receipt.

In the government-wide financial statements, inventory items are initially recorded as assets and charged to expense in the various functions of government as they are consumed.

MCLAUGHLIN SCHOOL DISTRICT NO. 15-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 7 - (Continued)

In the governmental fund financial statements, inventories consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are purchased. Reported inventories are equally offset by Nonspendable Fund Balance which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

NOTE 8 - PROPERTY TAXES

Property taxes are levied on or before each October 1, attach as an enforceable lien on property, and become due and payable as of the following January 1, and are payable in two installments on or before the following April 30 and October 31. The county bills and collects the School District's taxes and remits them to the School District.

School District property tax revenues are recognized to the extent that they are used to finance each year's appropriations. Revenue related to current year property taxes receivable which is not intended to be used to finance the current year's appropriations and therefore are not susceptible to accrual has been reported as deferred revenue in both the fund financial statements and the government-wide financial statements. Additionally, in the fund financial statements, revenue from property taxes may be limited by any amount not collected during the current fiscal period or within the "availability period".

NOTE 9 - CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2021, is as follows:

PRIMARY GOVERNMENT

	Balance 7/1/2020	Increases	Decreases	Prior Period Adjustment	Balance 6/30/2021
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 48,505	\$ -	\$ -	\$ -	\$ 48,505
Total, not being depreciated	48,505	-	-	-	48,505
Capital assets, being depreciated:					
Improvements	314,114	76,000	7,600	12,091	394,605
Buildings	10,826,303	-	-	-	10,826,303
Machinery and equipment	2,351,486	140,549	90,625	38,125	2,439,535
Total, being depreciated	13,491,903	216,549	98,225	50,216	13,660,443
Less accumulated depreciation for:					
Improvements	167,929	11,061	7,600	-	171,390
Buildings	4,851,918	181,541	-	-	5,033,459
Machinery and equipment	899,738	229,387	88,084	-	1,041,041
Total accumulated depreciation	5,919,585	421,989	95,684	-	6,245,890
Total capital assets, being depreciated, net	7,572,318	(205,440)	2,541	50,216	7,414,553
Total governmental activity capital assets, net	\$ 7,620,823	\$ (205,440)	\$ 2,541	\$ 50,216	\$ 7,463,058

MCLAUGHLIN SCHOOL DISTRICT NO. 15-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 9 - (Continued)

Depreciation expense was charged to functions as follows:

Governmental Activities:

Instruction	\$ 163,208
Support Services	253,206
Cocurricular Activities	<u>5,575</u>
Total depreciation expense - governmental activities	<u>\$ 421,989</u>

NOTE 10 - LONG-TERM LIABILITIES

A summary of the changes in long-term liabilities for the year ended June 30, 2021, is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Compensated Absences	\$ 145,902	\$ 170,998	\$ 178,183	\$ 138,717	\$ 55,487
Early Retirement Benefits	143,536	-	34,836	108,700	25,779
2011A Certificates of Participation - Wells Fargo	2,880,000	-	2,880,000	-	-
2020 Certificates of Participation - Truist	-	2,407,152	-	2,407,152	205,000
Financing Lease - Horizon Financial Bank	160,918	-	36,977	123,941	39,328
Energy Efficiency School Loan	245,289	-	61,322	183,967	61,322
Bond Discount - Wells Fargo	<u>(46,000)</u>	<u>-</u>	<u>(46,000)</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 3,529,645</u>	<u>\$ 2,578,150</u>	<u>\$ 3,145,318</u>	<u>\$ 2,962,477</u>	<u>\$ 386,916</u>

Compensated absences for governmental activities typically have been liquidated from the General Fund and Special Education Fund.

Early Retirement Benefits

The School District maintains an early retirement program. Eligible employees at least 55 years of age with 20 years of service to the School District may elect early retirement benefits. The payment will be 30% of the current year's negotiated base salary until reaching the age of 66. Early retirement benefits payable for governmental activities typically have been liquidated from the General Fund. The annual payment requirements to maturity for all early retirement benefits payable outstanding as of June 30, 2021, are as follows:

<u>Year Ending June 30:</u>	<u>Total</u>
2022	\$ 25,779
2023	24,905
2024	24,905
2025	24,030
2026	<u>9,081</u>
Totals	<u>\$ 108,700</u>

MCLAUGHLIN SCHOOL DISTRICT NO. 15-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 10 - (Continued)

Series 2020 Certificates of Participation

Series 2020 Certificates of Participation are due August 1, 2028, and bear interest at 1.860%. Series 2020 Certificates of Participation typically have been liquidated from the Capital Outlay Fund. The annual payment requirements to maturity for all Certificates of Participation outstanding as of June 30, 2021, are as follows:

<u>Year ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 205,000	\$ 58,910	\$ 263,910
2023	297,014	38,198	335,212
2024	303,758	32,611	336,369
2025	309,821	26,904	336,725
2026	315,206	21,092	336,298
2027	319,929	15,185	335,114
2028	324,010	9,196	333,206
2029	332,414	3,091	335,505
Totals	<u>\$ 2,407,152</u>	<u>\$ 205,187</u>	<u>\$ 2,612,339</u>

Financing (Capital Acquisition) Lease

Horizon Financial Bank financing lease has a maturity date of November 20, 2023, and bears interest at 4.40%. Financing (capital acquisition) lease for governmental activities typically have been liquidated from the Capital Outlay Fund. The purchase price of the financing (capital acquisition) lease was \$241,750 of principal and \$26,750 of interest for a total lease cost of \$268,500. The annual payment requirements to maturity for all lease payments outstanding as of June 30, 2021, are as follows:

<u>Year ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 39,328	\$ 5,423	\$ 44,751
2023	41,059	3,693	44,752
2024	43,554	1,886	45,440
Totals	<u>\$ 123,941</u>	<u>\$ 11,002</u>	<u>\$ 134,943</u>

MCLAUGHLIN SCHOOL DISTRICT NO. 15-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 10 - (Continued)

Energy Efficiency School Loan

The Energy Efficiency School Loan is an interest free loan from the State of South Dakota maturing July 31, 2023. Loan payments typically have been liquidated from the Capital Outlay Fund. The annual payment requirements to maturity as of June 30, 2021, are as follows:

<u>Year Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 61,322	\$ -	\$ 61,322
2023	61,322	-	61,322
2024	61,323	-	61,323
Totals	<u>\$ 183,967</u>	<u>\$ -</u>	<u>\$ 183,967</u>

NOTE 11 - OPERATING LEASES

The School District is leasing eight Toshiba copiers and three Ricoh printers from A&B Business Solutions. The Capital Outlay Fund is making the lease payments. The lease is for eleven copiers and printers for 53 months with monthly payments of \$3,993 starting January 28, 2016. Payments made during the year ended June 30, 2021, totaled \$53,732, including additional excess copy charges. On August 1, 2020, the School District entered into a new lease with Marco Technologies, LLC. This lease agreement is for seventy-three different copiers and printers for 60 months with monthly payments of \$5,292 starting September 10, 2020.

The following are the minimum payments required for existing operating leases:

<u>Year</u>	<u>Capital Outlay Fund</u>
2022	\$ 63,504
2023	63,504
2024	63,504
2025	63,504
2026	10,584
Total	<u>\$ 264,600</u>

NOTE 12 - INDIVIDUAL FUND INTERFUND BALANCES AND TRANSACTIONS

Interfund receivable and payable balances at June 30, 2021, were:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 39,537	\$ -
Food Service Fund	-	5,091
Special Education Fund	-	34,446
	<u>\$ 39,537</u>	<u>\$ 39,537</u>

MCLAUGHLIN SCHOOL DISTRICT NO. 15-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 13 - RESTRICTED NET POSITION

Restricted net position for the year ended June 30, 2021, was as follows:

<u>Purpose</u>	<u>Restricted By</u>	<u>Amount</u>
Major Purposes:		
SDRS Pension Purposes	Law	\$ 248,013
Capital Outlay Purposes	Law	197,530
Other Purposes:		
Johnson O'Malley Purposes	Law	10,370
Food Service Purposes	Law	<u>30,052</u>
Total Restricted Net Position		<u><u>\$ 485,965</u></u>

NOTE 14 - INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2021, were as follows:

<u>Transfers from:</u>	<u>Transfers to:</u>			<u>Totals</u>
	<u>Capital</u>	<u>Special Ed</u>	<u>Food Service</u>	
	<u>Outlay Fund</u>	<u>Fund</u>	<u>Fund</u>	
General Fund	<u>\$ 550,000</u>	<u>\$ 100,000</u>	<u>\$ 140,000</u>	<u>\$ 790,000</u>

The purpose of the interfund transfers was to transfer federal monies from the Impact Aid to the General Fund, Capital Outlay Fund, Special Ed Fund and Food Service Fund. On the face of the Financial Statements, Impact Aid will be combined with the General Fund.

NOTE 15 - PRIOR PERIOD ADJUSTMENT - CAPITAL ASSETS

McLaughlin School District No. 15-2 had inadvertently omitted capital asset costs on the statement of net position. Correction of this error resulted in a restatement of the School District's beginning net position, increasing the beginning net position in the amount of \$50,216.

NOTE 16 - PENSION PLAN

Plan Information:

All employees, working more than 20 hours per week during the school year, participate in the South Dakota Retirement System (SDRS), a cost sharing, multiple employer defined benefit pension plan administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability, and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in SDCL 3-12. The SDRS issues a publicly available financial report that includes financial

MCLAUGHLIN SCHOOL DISTRICT NO. 15-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 16 - (Continued)

statements and required supplementary information. That report may be obtained at <http://sdrs.sd.gov/publications.aspx> or by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

Benefits Provided:

SDRS has three different classes of employees, Class A general members, Class B public safety and judicial members, and Class C Cement Plant Retirement Fund members.

Members that were hired before July 1, 2017, are Foundation members. Class A Foundation members and Class B Foundation members who retire after age 65 with three years of contributory service are entitled to an unreduced annual retirement benefit. An unreduced annual retirement benefit is also available after age 55 for Class A Foundation members where the sum of age and credited service is equal to or greater than 85 or after age 55 for Class B Foundation judicial members where the sum of age and credited service is equal to or greater than 80. Class B Foundation public safety members can retire with an unreduced annual retirement benefit after age 55 with three years of contributory service. An unreduced annual retirement benefit is also available after age 45 for Class B Foundation public safety members where the sum of age and credited service is equal to or greater than 75. All Foundation retirements that do not meet the above criteria may be payable at a reduced level.

Members that were hired on/after July 1, 2017, are Generational members. Class A Generational members and Class B Generational judicial members who retire after age 67 with three years of contributory service are entitled to an unreduced annual retirement benefit. Class B Generational public safety members can retire with an unreduced annual retirement benefit after age 57 with three years of contributory service. At retirement, married Generational members may elect a single-life benefit, a 60 percent joint and survivor benefit, or a 100 percent joint and survivor benefit. All Generational retirement benefits that do not meet the above criteria may be payable at a reduced level. Generational members will also have a variable retirement account (VRA) established, in which they will receive up to 1.5 percent of compensation funded by part of the employer contribution. VRAs will receive investment earnings based on investment returns.

Legislation enacted in 2017 established the current COLA process. At each valuation date:

- Baseline actuarial accrued liabilities will be calculated assuming the COLA is equal to long-term inflation assumption of 2.25%.
- If the fair value of assets is greater or equal to the baseline actuarial accrued liabilities, the COLA will be:
 - The increase in the 3rd quarter CPI-W, no less than 0.5% and no greater than 3.5%.
- If the fair value of assets is less than the baseline actuarial accrued liabilities, the COLA will be:
 - The increase in the 3rd quarter CPI-W, no less than 0.5% and no greater than a restricted maximum such that, if the restricted maximum is assumed for future COLAs, the fair value of assets will be greater or equal to the accrued liabilities.

All benefits except those depending on the Member's Accumulated Contributions are annually increased by the Cost-of-Living Adjustment.

Contributions:

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan: Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. The School District's share of contributions to the SDRS for the fiscal years ended June 30, 2021, 2020, and 2019, were \$309,870, \$293,525, and \$231,621, respectively, equal to the required contributions each year.

Pension Liabilities (Assets), Pension Expense (Revenue), and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions:

At June 30, 2020, SDRS is 100.04% funded and, accordingly, has a net pension asset. The proportionate shares of the components of the net pension asset of South Dakota Retirement System, for the School District as of June 30, 2021, are as follows:

MCLAUGHLIN SCHOOL DISTRICT NO. 15-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 16 - (Continued)

Proportionate share of pension liability	\$ 27,401,590
Less proportionate share of net pension restricted for pension benefits	<u>27,411,271</u>
Proportionate share of net pension liability (asset)	<u><u>\$ (9,681)</u></u>

At June 30, 2021, the School District reported an asset of (\$9,681) for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2020, and the total pension liability used to calculate the net pension asset was based on a projection of the School District's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2020, the School District's proportion was .22290410%, which is an increase of .0413440% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the School District recognized pension expense of \$430,736. At June 30, 2021, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 37,034	\$ 7,584
Change in assumption	311,823	1,257,597
Net difference between projected and actual earnings on pension plan investments	899,772	-
Changes in proportion and difference between School District contributions and proportionate share of contributions	14,337	69,323
School District contributions subsequent to the measurement date	<u>309,870</u>	<u>-</u>
TOTAL	<u><u>\$ 1,572,836</u></u>	<u><u>\$ 1,334,504</u></u>

\$309,870 reported as deferred outflow of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year Ending June 30:

2022	\$ (121,943)
2023	(104,230)
2024	(6,556)
2025	<u>161,191</u>
TOTAL	<u><u>\$ (71,538)</u></u>

MCLAUGHLIN SCHOOL DISTRICT NO. 15-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 16 - (Continued)

Actuarial Assumptions:

The total pension liability (asset) in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary Increases	6.50% at entry to 3.00% after 25 years of service
Discount Rate	6.50% net of plan investment expense
Future COLAs	1.41%

Mortality rates were based on 97% of the RP-2014 Mortality Table, adjusted to 2006 and projected generationally with Scale MP-2016, white collar rates for females and total dataset rates for males. Mortality rates for disabled members were based on RP-2014 Disabled Retiree Mortality Table, adjusted to 2006 and projected generationally with Scale MP-2016.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period of July 1, 2011, to June 30, 2016.

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2020 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	58.0%	5.1%
Fixed Income	30.0%	1.5%
Real Estate	10.0%	6.2%
Cash	2.0%	1.0%
Total	100%	

Discount Rate:

The discount rate used to measure the total pension liability (asset) was 6.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that matching employer contributions will be made at rates equal to the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability (asset).

MCLAUGHLIN SCHOOL DISTRICT NO. 15-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 16 - (Continued)

Sensitivity of Liability (Asset) to Changes in the Discount Rate:

The following presents the School District's proportionate share of net pension liability (asset) calculated using the discount rate of 6.50%, as well as what the School District's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (5.50%) or 1-percentage point higher (7.50%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
School District's proportionate share of the net pension liability (asset)	\$3,755,463	\$(9,681)	\$(3,089,494)

Pension Plan Fiduciary Net Position:

Detailed information about the plan's fiduciary net position is available in the separately issued SDRS financial report.

NOTE 17 - JOINT VENTURES

The School District participates in the joint venture known as Northwest Area Schools Multi-District. This is a cooperative service unit formed for the purpose of providing education services in the area of career and technical educational services to the member school districts.

Northwest Area Schools Multi-District

The members of the Northwest Area Schools Multi-District and their relative percentage participation are as follows:

Harding County School District No. 31-1	13.39%
Faith School District No. 46-2	13.39%
Dupree School District No. 64-2	13.39%
Timber Lake School District No. 20-3	13.39%
McLaughlin School District No. 15-2	13.39%
McIntosh School District No. 15-1	13.39%
Smee School District No. 15-3	13.39%
Tiospaye Topa School District	6.27%

Northwest Area Schools Multi-District's governing board is composed of one representative from each member school district, who is a school board member. The board is responsible for adopting the joint venture's budget and setting service fees at a level adequate to fund the adopted budget.

The School District retains an equity interest in the net position of the joint venture and has responsibility to fund deficits of the joint venture in proportion to the relative participation described above.

Separate financial statements for this joint venture are available from Northwest Area Schools Multi-District.

Northwest Area Schools Multi-District and Northwest Area Schools Educational Cooperative are combined for financial reporting purposes. At June 30, 2021, the combined joint ventures had total assets of \$2,244,377, deferred outflows of \$327,806, total liabilities of \$173,564, deferred inflows of \$257,438 and net position of \$2,141,181.

MCLAUGHLIN SCHOOL DISTRICT NO. 15-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 18 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended June 30, 2021, the School District managed its risks as follows:

Employee Health Insurance:

The School District joined the South Dakota School District Health Benefits Fund. This is a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The School District pays a monthly premium to the pool to provide health insurance coverage for its employees. The pool purchases reinsurance coverage with the premiums it receives from the members. There is no lifetime maximum payment per person.

The School District does not carry additional health insurance coverage to pay claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Liability Insurance:

The School District purchases liability insurance for risks related to torts; theft or damage to property; and errors and omissions of public officials from a commercial insurance carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Workers' Compensation:

The School District purchases liability insurance for worker's compensation from a commercial carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Unemployment Benefits:

The School District has elected to be self-insured and retain all risk for liabilities resulting from claims for unemployment benefits.

The School District has not assigned any amount of fund balance for the payment of future unemployment benefits.

During the year ended June 30, 2021, 2 claims were filed for unemployment benefits. These claims resulted in the payment of benefits in the amount of \$3,250. At June 30, 2021, no additional claims had been filed or were outstanding. It is not anticipated that any additional claims for unemployment benefits will be filed in the next fiscal year.

NOTE 19 - IMPLEMENTATION OF NEW STANDARD AND RESTATEMENT

As of June 30, 2021, the School District implemented GASB Statement No. 84, Fiduciary Activities (GASB 84). Certain agency funds previously accounted for activities that are not considered fiduciary in nature and are now reported in the General Fund.

The School District restated the net position and fund balance of the funds indicated:

	<u>Governmental Activities</u>		<u>General Fund</u>
Net position at June 30, 2020, as previously stated	\$ 12,008,195	Fund balance at June 30, 2020, as previously stated	\$ 7,090,140
Prior Period Adjustment (see note 15)	50,216	Restatement -	
Restatement -		Implementation of GASB 84	<u>11,921</u>
Implementation of GASB 84	<u>11,921</u>		
Net position at July 1, 2020, as restated	<u>\$ 12,070,332</u>	Fund balance at July 1, 2020, as restated	<u>\$ 7,102,061</u>

MCLAUGHLIN SCHOOL DISTRICT NO. 15-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 20 - LITIGATION

At June 30, 2021, the School District was not involved in any litigation.

NOTE 21 - SUBSEQUENT EVENTS

Management has evaluated whether any subsequent events have occurred through March 11, 2022, the date on which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A

MCLAUGHLIN SCHOOL DISTRICT NO. 15-2
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND - BUDGETARY BASIS
YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 390,245	\$ 390,245	\$ 403,264	\$ 13,019
Prior years' ad valorem taxes	-	-	8,800	8,800
Utility taxes	75,000	75,000	69,273	(5,727)
Penalties and interest on taxes	-	-	3,578	3,578
Earnings on investments and deposits	36,036	36,036	15,298	(20,738)
Cocurricular activities:				
Admissions	11,000	11,000	-	(11,000)
Other revenue from local sources:				
Contributions and donations	-	-	30,000	30,000
Refund of prior years' expenditures	-	-	391	391
Charges for services	35,000	35,000	64,048	29,048
Other	15,000	15,000	25,582	10,582
Revenue from Intermediate Sources:				
County sources:				
County apportionment	20,000	20,000	25,429	5,429
Revenue from State Sources:				
Grants-in-aid:				
Unrestricted grants-in-aid	2,453,999	2,453,999	2,498,111	44,112
Restricted grants-in-aid	-	54,726	13,474	(41,252)
Revenue from Federal Sources:				
Grants-in-aid:				
Unrestricted grants-in-aid received from federal government through the state	-	196,000	196,000	-
Restricted grants-in-aid received directly from federal government	93,994	106,912	99,715	(7,197)
Restricted grants-in-aid received from federal government through the state	1,131,845	1,794,189	1,603,443	(190,746)
Johnson O'Malley funds	-	41,539	27,176	(14,363)
TOTAL REVENUES	4,262,119	5,229,646	5,083,582	(146,064)
EXPENDITURES:				
Instruction:				
Regular programs:				
Elementary	1,131,845	1,159,626	1,108,054	51,572
Middle/Junior high	437,629	443,236	389,816	53,420
High school	871,484	886,893	719,671	167,222
Preschool services	214,634	215,355	197,548	17,807
Other regular programs	158,351	158,351	121,173	37,178
Special programs:				
Culturally different	94,705	94,705	92,691	2,014
Educationally deprived	825,208	933,266	788,209	145,057
Support Services:				
Students:				
Attendance and social work	257,369	257,369	249,061	8,308
Guidance	160,096	160,096	154,566	5,530
Health	79,889	82,889	83,920	(1,031)

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Instructional staff:				
Improvement of instruction	173,375	330,528	204,577	125,951
Educational media	164,745	357,072	353,070	4,002
General administration:				
Board of education	244,486	564,684	482,706	81,978
Executive administration	223,550	223,550	199,558	23,992
School administration:				
Office of the principal	459,434	459,434	419,609	39,825
Other	3,500	3,500	4,387	(887)
Business:				
Fiscal services	191,545	191,545	182,863	8,682
Operation and maintenance of plant	985,520	1,180,601	1,000,232	180,369
Student transportation services	280,666	289,426	240,876	48,550
Food services	24,000	24,000	11,671	12,329
Central:				
Staff	3,700	3,700	1,031	2,669
Nonprogrammed Charges:				
Payments to state - unemployment	-	-	3,250	(3,250)
Early retirement payments	35,399	35,399	34,836	563
Cocurricular Activities:				
Male activities	82,459	82,459	33,842	48,617
Female activities	75,290	75,290	31,259	44,031
Transportation	27,530	27,530	5,076	22,454
Combined activities	239,269	248,702	153,267	95,435
TOTAL EXPENDITURES	7,445,678	8,489,206	7,266,819	1,222,387
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	(3,183,559)	(3,259,560)	(2,183,237)	1,076,323
OTHER FINANCING SOURCES:				
Transfers in	3,185,299	3,254,560	2,800,000	(454,560)
Compensation for loss of general capital assets	-	-	1,336	1,336
TOTAL OTHER FINANCING SOURCES	3,185,299	3,254,560	2,801,336	(453,224)
NET CHANGE IN FUND BALANCES	1,740	(5,000)	618,099	623,099
FUND BALANCE - BEGINNING	1,321,590	1,321,590	1,321,590	-
RESTATEMENT - IMPLEMENTATION OF GASB NO. 84 (SEE NOTE 2 PAGE 27)	11,921	11,921	11,921	-
PRIOR PERIOD ADJUSTMENT (SEE NOTE 3 PAGE 44)	(1,417,773)	(1,417,773)	(1,417,773)	-
ADJUSTED FUND BALANCE - BEGINNING	(84,262)	(84,262)	(84,262)	-
FUND BALANCE - ENDING	\$ (82,522)	\$ (89,262)	\$ 533,837	\$ 623,099

MCLAUGHLIN SCHOOL DISTRICT NO. 15-2
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - CAPITAL OUTLAY FUND - BUDGETARY BASIS
YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 487,744	\$ 487,744	\$ 507,455	\$ 19,711
Prior years' ad valorem taxes	-	-	6,791	6,791
Penalties and interest on taxes	-	-	3,335	3,335
Earnings on investments and deposits	6,276	6,276	810	(5,466)
Other revenue from local sources:				
Other	-	117,755	4,002	(113,753)
Revenue from State Sources:				
Grants-in-aid:				
Restricted grants-in-aid	-	20,000	20,000	-
Revenue from Federal Sources:				
Grants-in-aid:				
Unrestricted grants-in-aid received from federal government through the state	-	448,082	447,323	(759)
Restricted grants-in-aid received from federal government through the state	-	302,982	227,785	(75,197)
TOTAL REVENUES	494,020	1,382,839	1,217,501	(165,338)
EXPENDITURES:				
Instruction:				
Regular programs:				
Elementary	67,100	135,153	115,146	20,007
Middle/Junior high	29,800	70,910	53,142	17,768
High school	51,200	286,255	261,411	24,844
Other regular programs	20,000	20,000	-	20,000
Support Services:				
Instructional staff:				
Educational media	211,800	652,279	314,123	338,156
General administration:				
Board of education	5,000	25,000	5,590	19,410
Business:				
Operation and maintenance of plant	437,384	3,666,893	260,014	3,406,879
Student transportation services	50,000	50,000	55,893	(5,893)
Food services	20,000	25,000	6,755	18,245
Special education:				
Administrative costs	13,100	19,738	5,285	14,453
Debt Services	433,922	433,922	3,104,246	(2,670,324)
Cocurricular Activities:				
Male activities	13,000	13,000	11,734	1,266
Combined activities	-	330	330	-
TOTAL EXPENDITURES	1,352,306	5,398,480	4,193,669	1,204,811
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	(858,286)	(4,015,641)	(2,976,168)	1,039,473

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
OTHER FINANCING SOURCES:				
Transfers in	858,286	942,880	550,000	(392,880)
Proceeds of general long-term liabilities	-	2,407,152	2,407,152	-
Sale of surplus property	-	-	2,510	2,510
TOTAL OTHER FINANCING SOURCES	858,286	3,350,032	2,959,662	(390,370)
NET CHANGE IN FUND BALANCES	-	(665,609)	(16,506)	649,103
FUND BALANCE - BEGINNING	208,738	208,738	208,738	-
FUND BALANCE - ENDING	<u>\$ 208,738</u>	<u>\$ (456,871)</u>	<u>\$ 192,232</u>	<u>\$ 649,103</u>

MCLAUGHLIN SCHOOL DISTRICT NO. 15-2
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - SPECIAL EDUCATION FUND - BUDGETARY BASIS
YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 331,573	\$ 331,573	\$ 360,071	\$ 28,498
Prior years' ad valorem taxes	-	-	5,450	5,450
Penalties and interest on taxes	-	-	2,731	2,731
Other revenue from local sources:				
Refund of prior years' expenditures	-	-	380	380
Charges for services	8,000	8,000	5,354	(2,646)
Revenue from State Sources:				
Grants-in-aid:				
Restricted grants-in-aid	892,841	910,673	664,830	(245,843)
Revenue from Federal Sources:				
Grants-in-aid:				
Unrestricted grants-in-aid received directly from federal government	75,705	75,705	85,184	9,479
Unrestricted grants-in-aid received from federal government through the state	-	24,000	24,000	-
Restricted grants-in-aid received from federal government through the state	181,214	181,214	181,214	-
TOTAL REVENUES	1,489,333	1,531,165	1,329,214	(201,951)
EXPENDITURES:				
Instruction:				
Special programs:				
Programs for special education	960,087	977,919	943,630	34,289
Support Services:				
Students:				
Psychological	47,200	47,200	38,929	8,271
Speech pathology	129,335	129,335	115,631	13,704
Student therapy services	72,000	72,000	63,696	8,304
Instructional staff:				
Improvement of instruction	18,000	18,000	1,025	16,975
Special education:				
Administrative costs	138,720	162,720	116,476	46,244
Transportation costs	14,380	14,380	7,558	6,822
Other special education costs	109,611	109,611	79,641	29,970
TOTAL EXPENDITURES	1,489,333	1,531,165	1,366,586	164,579
EXCESS OF REVENUE UNDER EXPENDITURES	-	-	(37,372)	(37,372)
OTHER FINANCING SOURCES:				
Transfers in	-	-	100,000	100,000
TOTAL OTHER FINANCING SOURCES	-	-	100,000	100,000
NET CHANGE IN FUND BALANCES	-	-	62,628	62,628
FUND BALANCE - BEGINNING	(86,838)	(86,838)	(86,838)	-
FUND BALANCE - ENDING	\$ (86,838)	\$ (86,838)	\$ (24,210)	\$ 62,628

MCLAUGHLIN SCHOOL DISTRICT NO. 15-2
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF BUDGETARY COMPARISONS FOR THE GENERAL FUND AND FOR EACH
MAJOR SPECIAL REVENUE FUND WITH A LEGALLY REQUIRED BUDGET
JUNE 30, 2021

NOTE 1 - BUDGETS AND BUDGETARY ACCOUNTING

The School District followed these procedures in establishing the budgetary data reflected in the schedules:

1. Prior to the first regular board meeting in May of each year the school board causes to be prepared a proposed budget for the next fiscal year according to the budgetary standards prescribed by the Auditor General.
2. The proposed budget is considered by the school board at the first regular meeting held in the month of May of each year.
3. The proposed budget is published for public review no later than July 15 each year.
4. Public hearings are held to solicit taxpayer input prior to the approval of the budget.
5. Before October 1 of each year, the school board must approve the budget for the ensuing fiscal year for each fund, except fiduciary funds.
6. After adoption by the school board, the operating budget is legally binding and actual expenditures of each fund cannot exceed the amounts budgeted, except as indicated in number 8.
7. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total school district budget and may be transferred by resolution of the school board to any other budget category, except for capital outlay, that is deemed insufficient during the year. No amount of expenditures may be charged directly to the contingency line item in the budget.
8. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows adoption of supplemental budgets when moneys are available to increase legal spending authority.
9. Unexpended appropriations lapse at year-end unless encumbered by resolution of the school board.
10. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds.
11. Budgets for the General Fund and each major Special Revenue Fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).

NOTE 2 - USGAAP/BUDGETARY ACCOUNTING BASIS DIFFERENCES

1. The financial statements prepared in conformity with USGAAP present capital outlay expenditure information in a separate category of expenditures. Under the budgetary basis of accounting, capital outlay expenditures are reported within the function to which they relate. For example, the purchase of a new school bus would be reported as a capital outlay expenditure on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances, however, in the Budgetary RSI Schedule, the purchase of a school bus would be reported as an expenditure of the Support Services-Business/Student Transportation function of government, along with all other current Student Transportation related expenditures.
2. The financial statements prepared in conformity with USGAAP do not recognize the Impact Aid Fund as a special revenue fund. The fund has specific revenue, but does not require it be spent on a special purpose. According to SDCL 13-16-31, the School District should maintain a separate Impact Aid Fund. So, to comply with USGAAP and state law, the Impact Aid Fund is blended with the General Fund in the Basic Financial Statements, however, the Budgetary RSI Schedule shows the General Fund separate from the Impact Aid Fund.

MCLAUGHLIN SCHOOL DISTRICT NO. 15-2
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF BUDGETARY COMPARISONS FOR THE GENERAL FUND AND FOR EACH
MAJOR SPECIAL REVENUE FUND WITH A LEGALLY REQUIRED BUDGET
JUNE 30, 2021

NOTE 3 - PRIOR PERIOD ADJUSTMENT

McLaughlin School District No. 15-2 had inadvertently overstated the fund balance on the budgetary comparison schedule for the General Fund. Correction of this error resulted in a restatement of the School District's beginning fund balance, decreasing the beginning fund balance in the amount of \$1,417,773.

MCLAUGHLIN SCHOOL DISTRICT NO. 15-2
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)
LAST 7 FISCAL YEARS*

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability (asset)	0.2229041%	0.1815601%	0.1797766%	0.1863451%	0.1881563%	0.1851255%	0.1736430%
District's proportionate share of net pension liability (asset)	\$ (9,681)	\$ (19,241)	\$ (4,193)	\$ (16,911)	\$ 635,574	\$ (785,170)	\$ (1,251,027)
District's covered payroll	\$ 4,892,074	\$ 3,860,340	\$ 3,737,368	\$ 3,784,836	\$ 3,577,791	\$ 3,379,891	\$ 3,036,538
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	0.20%	0.50%	0.11%	0.45%	17.76%	23.23%	41.20%
Plan fiduciary net position as a percentage of the total pension liability (asset)	100%	100%	100%	100%	97%	104%	107%

* The amounts presented for each fiscal year were determined as of the measurement date of the collective net pension liability (asset) which is 6/30 of the previous fiscal year. Until a full 10-year trend is compiled, the School District will present information for those years for which information is available.

MCLAUGHLIN SCHOOL DISTRICT NO. 15-2
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE SCHOOL DISTRICT PENSION CONTRIBUTIONS
LAST 9 FISCAL YEARS*

	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	\$ 309,870	\$ 293,525	\$ 231,621	\$ 224,243	\$ 227,169	\$ 214,668	\$ 202,792	\$ 182,192	\$ 184,093
Contributions in relation to the contractually required contribution	309,870	293,525	231,621	224,243	227,169	214,668	202,792	182,192	184,093
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 5,164,495	\$ 4,892,074	\$ 3,860,340	\$ 3,737,368	\$ 3,784,836	\$ 3,577,791	\$ 3,379,891	\$ 3,036,538	\$ 3,068,199
Contributions as a percentage of covered payroll	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%

* Until a full 10-year trend is compiled, the School District will present information for those years for which information is available.

MCLAUGHLIN SCHOOL DISTRICT NO. 15-2
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) AND SCHEDULE OF
PENSION CONTRIBUTIONS
JUNE 30, 2021

Changes from Prior Valuation

The June 30, 2020 Actuarial Valuation reflects no changes in actuarial methods from the June 30, 2019 Actuarial Valuation. One change in actuarial assumptions and two plan provision changes are reflected and described below.

The details of the changes since the last valuation are as follows:

Benefit Provision Changes

Legislation enacted in 2020 established a Qualified Benefit Preservation Arrangement (QBPA) under Section 415(m) of the Internal Revenue Code (IRC). The QBPA is effective July 1, 2020, and pays a portion of SDRS benefits that are restricted by IRC Section 415(b). The total benefits paid from SDRS and the QBPA will be limited to the applicable 415(b) annual limit, unreduced for early commencement if Members retire prior to age 62 and actuarially increased for late retirement up to age 70 if Members retire after age 65. The Actuarial Valuation considers benefits payable from both SDRS and the QBPA.

Legislation enacted in 2020 also brought the assets and the liabilities of the South Dakota Department of Labor and Regulation Plan into SDRS effective July 1, 2020. With the exception of the accounting results presented in Section 6 of this report, all exhibits include the assets, liabilities, and member counts of the former Department of Labor and Regulation Plan Members.

Actuarial Assumption Changes

The SDRS COLA equals the percentage increase in the most recent third calendar quarter CPI-W over the prior year, no less than 0.5% and no greater than 3.5%. However, if the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (currently 2.25%) is less than 100%, the maximum COLA payable will be limited to the increase that if assumed on a long-term basis, results in a FVFR equal to or exceeding 100%. That condition existed as of June 30, 2019, and exists again this year as of June 30, 2020. Future COLAs are assumed to equal the current restricted maximum COLA which was 1.88% as of June 30, 2019, and is 1.41% as of June 30, 2020.

The changes in actuarial assumptions due to the 1.41% restricted maximum COLA decreased the Actuarial Accrued Liability by \$595 million, or 4.6% of the Actuarial Accrued Liability based on the 1.88% restricted maximum COLA.

Actuarial assumptions are reviewed in depth periodically, with the next experience analysis anticipated before the June 30, 2022 Actuarial Valuation and any recommended changes anticipated to be first implemented in the June 30, 2022 Actuarial Valuation.

Actuarial Method Changes

No changes in actuarial methods were made since the prior valuation.

SUPPLEMENTARY INFORMATION

MCLAUGHLIN SCHOOL DISTRICT NO. 15-2
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2021

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Pass-Through Entity Identifying Number	Federal CFDA Number	Expenditures 2021
<u>Child Nutrition Cluster:</u>			
U.S. Department of Agriculture - Pass-Through Programs From:			
S.D. Department of Education:			
Non-Cash Assistance (Commodities):			
National School Lunch Program	None available	10.555	\$ 16,119
Cash Assistance:			
School Breakfast Program (Note 3)	None available	10.553	76,255
National School Lunch Program (Note 3)	None available	10.555	131,119
Total for Child Nutrition Cluster			223,493
U.S. Department of Agriculture - Pass-Through Programs From:			
S.D. Department of Education:			
Fresh Fruit and Vegetable Program	None available	10.582	11,671
Subtotal for U.S. Department of Agriculture - Pass-Through Programs			11,671
TOTAL U.S. DEPARTMENT OF AGRICULTURE			235,164
U.S. Department of the Interior - Direct Program:			
Standing Rock Sioux Tribe:			
Indian Education - Assistance to Schools (Note 3)	None available	15.130	27,176
TOTAL U.S. DEPARTMENT OF THE INTERIOR			27,176
U.S. Department of Treasury - Pass-Through Programs From:			
S.D. Department of Education:			
Coronavirus Relief Fund (Note 4)	None available	21.019	220,000
Standing Rock Sioux Tribe:			
Coronavirus Relief Fund (Note 4)	None available	21.019	460,240
TOTAL U.S. DEPARTMENT OF TREASURY			680,240
<u>Special Education Cluster:</u>			
U.S. Department of Education - Pass-Through Programs From:			
S.D. Department of Education:			
Special Education - Grants to States (IDEA, Part B)	H027A200091	84.027	169,282
Special Education - Preschool Grants (IDEA Preschool)	H173A200091	84.173	11,932
Total for Special Education Cluster			181,214
U.S. Department of Education - Direct Programs:			
Impact Aid (Title VIII of ESEA) (Note 4)		84.041	3,675,184
Indian Education - Grants to Local Educational Agencies	S060A200725	84.060	86,797
Subtotal for U.S. Department of Education - Direct Programs			3,761,981

MCLAUGHLIN SCHOOL DISTRICT NO. 15-2
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2021
(Continued)

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Pass-Through Entity Identifying Number	Federal CFDA Number	Expenditures 2021
U.S. Department of Education - Pass-Through Programs From:			
S.D. Department of Education:			
Title I Grants to Local Educational Agencies (Note 4)	S010A200041	84.010	871,020
Improving Basic Programs Operated by Local Educational Agencies (Title I, Part A)	S010A200041	84.010A	68,331
Supporting Effective Instruction State Grants	S367A200039	84.367	88,405
School Support and Academic Enrichment Grants	S424A200043	84.424	100,873
Elementary and Secondary School Emergency Relief Fund	S425D200050	84.425D	478,353
Elementary and Secondary School Emergency Relief Fund	S425D210050	84.425D	88,210
American Rescue Plan Elementary and Secondary School Emergency Relief	S425U210050	84.425U	38,583
Subtotal for U.S. Department of Education - Pass-Through Programs			<u>1,733,775</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>5,676,970</u>
GRAND TOTAL			<u><u>\$ 6,619,550</u></u>

MCLAUGHLIN SCHOOL DISTRICT NO. 15-2
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2021
(Continued)

NOTE 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the School District under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School District.

NOTE 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The School District has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 3 - Federal Reimbursement

Federal reimbursements are not based upon specific expenditures. Therefore, the amounts reported here represent cash received rather than federal expenditures.

NOTE 4 - Major Federal Financial Assistance Program

This represents a major federal financial assistance program.